DECEMBER 22, 1980 TWO DOLLARS

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Forbes

SWISS WATCHES

IS TIME RUNNING OUT?

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Forbes

December 22, 1980
Volume 126, Number 13

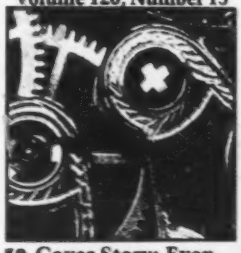

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Illustration: p. 74, Doris Ettlinger

Cover Photography: Larry Stein, Watch courtesy of Tourneau

Forbes (ISSN 0015 6914) is published biweekly by Forbes Inc., 60 Fifth Ave., New York, N.Y. 10011. Second-class postage paid at New York, N.Y. and at additional mailing offices. Subscription $27 a year, U.S.A. Postmaster: Send address changes to Forbes, 60 Fifth Ave., New York, N.Y. 10011.

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While the Dow flirts with 1000 and many stocks sell well above book value, undervalued wallflowers are still up for grabs.

The shy ones

Statistical Spotlight

By Steve Kichen

IN THE WAKE OF THE RECENT RALLY, hundreds of stocks have crashed through their 52-week highs. The broadly-based Wilshire index is up 28% since the beginning of the year, and the Dow industrials are up 18%.

With the air strong with the smell of bull we began to wonder if there were some companies that were missing out on the action. Could one still find Ben Graham-type fundamental value in the present market? We asked Norman Weinger, of Oppenheimer and Co., if he would apply his "triple sixes" computer screen to ferret out the presence of any undervalued stocks.

To make it past Weinger's screen, a stock must meet three criteria:

1. Sell at a P/E multiple of 6 or less.
2. Yield 6% or more.
3. Sell at 60% or less of book value.

Out of over 4,000 stocks listed on the NYSE, Amex and o-t-c, fewer than 80 stocks popped up on Weinger's printout. That's little more than half the companies that qualified last year, another good indication that the market as a whole is up and that there are fewer remaining bargains.

The stocks listed below are cheap. The average earnings multiple of the group is 4.5, *vs.* 9.8 for the S&P's 400. On average the group sells at a 50% discount from book. So for every buck you plunk down for these companies you are getting around $2 worth of assets. You also get a high average yield of 8.3%.

Naturally, our list is dominated by industries that have fallen out of market favor: utilities, textiles, consumer-oriented companies and banks. But there are also some surprises: N.V. Philips, for example. The Dutch electronics giant presently sells at a P/E of 4.1 and has a major stake in a laser-based videodisc system. Then there's Reynolds Metals, which sells for less than 4 times earnings despite excellent long-range prospects for aluminum. Another list member, SCM, recently introduced a revolutionary typewriter and has recently resolved a bitter proxy fight.

There are dozens of banks on the list, selling at stick-up prices, of course. Concern over deregulation and the interest rate squeeze has hurt bank stocks. The low stock prices of major banks also reflect investor fears over the quality of loans made to the less-developed countries. But the American banking industry is not likely to be replaced by foreign imports. And banks have historically sold above book value.

A particularly interesting stock is Manufacturers National. It sells at a P/E of only 3.8, giving it an earnings yield—the reciprocal of P/E—of 26%. It also offers a dividend yield of 10% and its recent market price, $22, is less than half of its $50 per-share book value. Like many banks, a good part of this book value is backed up by real estate assets.

Our wallflower list may seem dull at first glance, but like many other things in life, appearances may be deceiving. What really counts is appreciation potential and yield. If you still believe in Ben Graham's theory that, as a group, low P/E, undervalued stocks eventually outperform the market, then this could be the time to introduce yourself to some of our wallflowers.

Anyone want to dance?

The 1980 market surge has left these 76 undervalued wallflowers behind. Almost half of these companies are banks. Each stock listed below has a price/earnings ratio of 6 or less, yields over 6% and sells for under 60% of book value.

Company	Recent price	Price range 1975 to present	Price/ earnings ratio	Latest 12-month earnings per share	Current yield	Indicated dividend	Book value	Price/ book	Debt/ equity
Amerace	20	32¼–13¼	5.4	$3.72	6.6%	$1.32	$44.34	0.45	50.1%
American Fletcher	17	32 –13¼	4.0	4.24	7.5	1.24	33.44	0.51	NA
American Water Works	11¼	14⅞– 8⅝	4.7	2.42	8.5	0.96	29.16	0.39	230.4
Ameritrust	29⅞	38 –21	4.8	6.27	9.1	2.72	57.43	0.52	NA
Atlanta Gas Light	15	17⅛– 9½	5.2	2.89	11.2	1.68	25.89	0.58	138.9
Banco Popular de Puerto Rico	23⅛	26¾–11¾	3.0	7.77	6.2	1.45	40.83	0.57	12.7
Bank of New York	33⅞	43¼–24½	4.4	7.66	8.9	3.00	60.24	0.56	10.3
Bank of Virginia	12¾	17⅜– 9½	4.8	2.65	9.1	1.16	26.55	0.48	NA
Baybanks	34⅜	36½–21¼	4.1	8.35	8.2	2.80	59.24	0.58	10.5
Blessings	7¾	10¼– 3⅛	4.6	1.69	8.5	0.65	14.73	0.53	72.6
CBT	23½	25⅝–13	3.9	6.04	8.5	2.00	40.61	0.58	NA
Chelsea Industries	8⅜	14½– 4⅝	5.5	1.52	7.2	0.60	18.66	0.45	84.1
Chemical New York	39⅞	47⅛–26	3.8	10.41	8.7	3.48	78.19	0.51	NA
Cluett, Peabody	10⅜	14⅞– 3¼	5.7	1.83	6.6	0.68	22.71	0.46	49.6
Commerce Bancshares	22¼	26 –14¾	4.6	4.80	7.2	1.60	42.12	0.53	NA

Company	Recent price	Price range 1975 to present	Price/ earnings ratio	Latest 12-month earnings per share	Current yield	Indicated dividend	Book value	Price/ book	Debt/ equity
Community Public Service	14⅛	22¼–13⅞	4.6	$3.10	13.3%	$1.88	$26.05	0.54	148.0%
Consolidated Edison	22⅝	25⅞– 7½	4.7	4.80	11.9	2.68	44.39	0.51	96.6
Courtaulds Ltd ADR	1⅝	3⅜– 1¼	4.9	0.33	10.9	0.18	3.55	0.47	66.9
Craddock-Terry Shoe	11½	13¼– 3⅜	5.3	2.18	6.6	0.76	20.47	0.56	34.0
Crompton Co	22¼	35¾– 5½	4.2	5.42	7.9	1.80	48.71	0.47	43.5
Crowley, Milner & Co	9⅜	10⅞– 5⅝	2.3	4.06	8.0	0.75	26.57	0.35	62.9
Dan River	16¼	20 – 4¼	4.5	3.64	6.9	1.12	33.64	0.48	42.1
Dellwood Foods	14¼	14¼– 5⅜	3.7	4.01	6.2	0.92	27.18	0.54	5.1
DETROITBANK	22⅜	29¼–11⅛	4.6	4.89	8.9	2.00	38.99	0.57	6.3
Equimark	9	14⅛– 7⅝	5.2	1.72	10.7	0.96	28.49	0.32	32.8
Fidelity Union Bancorp	28	35⅜–24⅛	4.5	6.18	10.0	2.80	52.14	0.54	6.0
First & Merchants	20	23 –14¼	4.1	4.88	8.8	1.76	38.99	0.51	22.2
First National Boston	33	35 –19	4.0	8.27	6.7	2.20	57.26	0.58	56.3
First Natl State Bancorp	21⅜	25⅝–16¾	4.6	4.84	9.8	2.20	39.41	0.57	25.5
First Union Bancorporation	20¼	22½–11⅜	4.6	4.38	7.9	1.60	33.70	0.60	NA
First Wisconsin	28	29¼–11⅞	4.6	6.07	6.7	1.88	48.64	0.58	NA
Girard	23¼	27¾–14¾	3.7	6.29	8.6	2.00	44.98	0.52	NA
Glosser Brothers	7¼	13 – 3⅛	5.6	1.29	6.6	0.48	14.36	0.50	9.7
Graniteville	12½	17⅜– 6⅝	3.8	3.31	8.0	1.00	23.62	0.53	28.5
Greater Jersey Bancorp	14⅛	15⅛– 9⅜	4.0	3.54	9.2	1.30	28.64	0.52	54.0
Harris Bankcorp	23⅛	39⅛–22⅛	4.5	5.15	8.7	2.00	51.16	0.45	0.7
Hart Schaffner & Marx	14½	16 – 5½	5.6	2.60	6.9	1.00	26.43	0.55	24.5
Hartford National	18⅝	20½–11	4.4	4.29	8.6	1.60	32.43	0.58	39.4
Heights Finance	6	7¼– 2¾	4.2	1.42	7.3	0.44	15.44	0.39	559.9
Heritage Bancorporation	12⅞	16⅛– 9⅜	3.8	3.37	9.9	1.28	22.24	0.58	15.2
Huntington Bancshares	28	32¼–14	4.3	6.50	7.1	2.00	47.62	0.59	15.4
IC Industries	33	33 –10¾	6.0	5.53	6.1	2.00	70.67	0.47	99.3
Kahler	24	24 –13½	5.6	4.26	6.7	1.60	40.48	0.59	31.4
Key Banks	13½	15½– 9⅝	4.1	3.30	8.9	1.20	27.45	0.49	NA
Lincoln First Banks	21½	28½–15½	3.9	5.54	9.3	2.00	52.11	0.41	NA
Maine Public Service	15	20½– 9	5.1	2.94	12.8	1.92	27.68	0.54	137.5
Manufacturers Hanover	28¾	41⅜–24¼	4.3	6.68	8.8	2.52	50.07	0.57	58.0
Manufacturers National	22	30⅜–13⅜	3.8	5.75	10.0	2.20	50.07	0.44	NA
Marine	22¼	31¼–10⅝	3.9	5.74	8.1	1.80	51.82	0.43	NA
Medalist Industries	8½	13⅞– 4⅜	5.4	1.58	7.1	0.60	17.92	0.47	75.1
Michigan National	18¾	21½– 7¼	4.8	3.94	6.4	1.20	31.48	0.60	NA
Midlantic Banks	27⅞	30½–16	3.3	8.58	8.5	2.36	65.07	0.43	25.4
GC Murphy	15⅛	23⅜–10¼	5.9	2.56	8.5	1.28	31.83	0.48	59.9
National Detroit	29½	35⅝–14¼	4.6	6.46	6.8	2.00	52.93	0.56	NA
NLT	21¼	37 –12¾	5.5	3.85	6.2	1.32	35.53	0.60	20.0
Northern Trust	35⅝	42½–27¼	5.3	6.75	6.9	2.44	60.38	0.59	10.4
Philadelphia National	31⅛	36¼–20⅝	4.3	7.19	9.4	2.92	56.26	0.55	NA
Philips NV	7⅞	13⅜– 7⅞	4.1	1.93	9.9	0.78	35.77	0.22	45.7
Provident National	28⅝	29¾–16¼	3.8	7.48	8.4	2.40	48.29	0.59	26.7
Reynolds Metals	36¼	44⅞–14⅝	3.7	9.91	6.1	2.20	60.66	0.60	75.1
Roan Consol Mines Ltd	3½	6⅛– ⅝	2.1	1.66	18.9	0.66	13.39	0.26	32.5
Sage-Allan & Co	5¼	6¼– 2	3.4	1.54	8.0	0.42	15.39	0.34	47.7
SCM	26⅝	32¼– 9	4.5	5.86	6.8	1.80	47.54	0.55	50.4
Shawmut	46¼	51¾–18	4.9	9.39	6.1	2.80	85.28	0.54	28.7
Society	16⅛	23¼– 8½	3.8	4.24	8.2	1.32	31.65	0.51	17.6
Springs Mills	17	20⅞– 8⅝	4.8	3.58	7.1	1.20	39.78	0.43	16.3
Star Supermarkets	10⅞	15¾– 5⅞	4.0	2.75	7.4	0.80	20.84	0.52	100.6
Sterchi Brothers Stores	10⅜	13 – 4⅝	4.8	2.18	6.6	0.68	18.19	0.57	26.8
JP Stevens	17⅜	19⅞– 8⅛	5.8	3.01	6.9	1.20	37.62	0.46	56.8
Stop & Shop Cos	14	21 – 7⅞	5.7	2.44	8.6	1.20	30.60	0.46	144.2
Summer & Co A	6¼	9¼– 3½	3.7	1.68	9.2	0.57	19.77	0.32	64.9
Tenn Valley Bancorp	10½	17 – 8¼	5.8	1.80	7.7	0.80	23.26	0.45	NA
United Jersey Banks	10	13⅞– 8⅜	4.0	2.48	10.8	1.08	20.98	0.48	43.4
Walker-Scott	7½	15½– 1¾	4.6	1.63	8.0	0.60	16.79	0.45	75.2
Woodward & Lothrop	23	33 –10	5.9	3.87	7.4	1.70	38.78	0.59	64.2
FW Woolworth	24	32 – 9⅝	4.6	5.22	7.5	1.80	43.71	0.55	58.6

NA Not applicable

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